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INTRODUCTION

The Ingham County Friend of the Court (FOC) had a contract with the Michigan Family Independence Agency (FIA) to establish paternity enforce all orders of support over which the Ingham County FOC had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the FIA. Ingham County FOC billed FIA monthly under the actual cost reimbursement billing method. FIA reimbursed Ingham County for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Ingham County FOC for the period January 1 through December 31, 1996. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We performed the audit tests that we determined were necessary to determine if costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that the Ingham County FOC overbilled FIA for some line items, and underbilled for one line item. The State share of the net amount overbilled was \$14,918. (See Schedule A.)

Our report recommends the Family Independence Services Administration initiate the process to recoup \$14,918 from the Ingham County FOC.

FOC RESPONSE

The Ingham County FOC has reviewed all findings and recommendations included in this report. They indicated in a letter dated July 15, 1998 that they are in general agreement with the report.

FINDINGS

Personnel-Salaries Not in Agreement with Financial Records

1. The Ingham County FOC overbilled FIA \$6,868 for undocumented salaries in 1996. The salaries billed were not in agreement with the amount in the FOC Payroll Journal. (See Schedule A.)

FICA Costs Underbilled

2. The Ingham County FOC underbilled FIA \$2,747 for FICA Costs in 1996. The FICA tax included in the billing worksheets did not agree with the amount recorded in the General Ledger, which was a source document for the billings. (See Schedule A.)

Retirement Costs Improperly Calculated

3. The Ingham County FOC overbilled FIA \$9,704 for retirement costs in 1996. The percentage used to calculate the retirement costs was .7%, over the percentage that should have been billed in accordance with actuarially determined requirements. (See Schedule A.)

Workers Compensation Insurance Not in Agreement with Percentage Used

4. The Ingham County FOC overbilled FIA \$2,051 in 1996 for workers compensation insurance costs. The overbilled workers compensation insurance costs are a result of the undocumented salaries in finding #1 above. (See Schedule A.)

Health Insurance Refund

5. The Ingham County FOC overbilled FIA \$4,739 for health care costs in 1996. Blue Cross refunded the County a settlement amount which was not offset against the claims. (See Schedule A.)

Medicare and FICA Taxes not Paid

6. The Ingham County FOC did not pay FICA and Medicare Tax on total payroll in 1996. The Employer's Quarterly Federal Tax Return (941) for the period ending June 30, 1996 indicated that FICA and Medicare tax was not paid on wages of \$171,330. (See Schedule A).

Data Processing Equipment Physical Count

7. The Ingham County FOC did not take a physical inventory of the data processing equipment in 1996. In accordance with the OMB Circular No. A-87, dated May 4, 1995, a physical inventory must be taken at least once every two years.

WE RECOMMEND the Family Services Administration initiate the process to recoup \$14,918 from the Ingham County FOC.

WE ALSO RECOMMEND that the Family Services Administration ensure that the Ingham County FOC has paid their Medicare taxes and taken a physical inventory of their data processing equipment.

Finding #	Line Item	Year	(Over)/Under Billed Gross Amount	IV-D %	(Over)/Under Billed IV-D Amount	State %	Due (State) County
1	Personnel	1996	\$ (7,525)	91.27%	\$ (6,868)		
2	Personnel	1996	\$ 3,010	91.27%	\$ 2,747		
3	Personnel	1996	\$ (10,632)	91.27%	\$ (9,704)		
4	Personnel	1996	\$ (2,247)	91.27%	\$ (2,051)		
5	Personnel	1996	\$ (5,192)	91.27%	\$ (4,739)		
Grand Total of the IV-D Audit Adjustments					\$ (20,614)		
Calculation of the Payment Due the (State) County							
Audited IV-D Amount					\$ 2,887,083		
IV-D Amount Used for the Payments Actually Made					\$ (2,907,697)		
IV-D Audit Adjustment Due (State) County					\$ (20,614)	72.37%	\$ (14,918)